

ORDER NO. 1997

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail
Priority Mail Contract 77

Docket No. MC2014-18

Competitive Product Prices
Priority Mail Contract 77 (MC2014-18)
Negotiated Service Agreement

Docket No. CP2014-31

NOTICE AND ORDER CONCERNING THE ADDITION OF PRIORITY MAIL
CONTRACT 77 TO THE COMPETITIVE PRODUCT LIST

(Issued February 26, 2014)

I. INTRODUCTION

In accordance with 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, the Postal Service filed a formal request and associated supporting information to add Priority Mail Contract 77 to the competitive product list.¹ The Postal Service asserts that Priority Mail Contract 77 is a competitive product “not of general applicability” within the meaning of

¹ Request of the United States Postal Service to Add Priority Mail Contract 77 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors’ Decision, Contract, and Supporting Data, February 25, 2014 (Request).

39 U.S.C. 3632(b)(3). Request at 1. The Request has been assigned Docket No. MC2014-18.

The Postal Service contemporaneously filed a redacted contract related to the proposed new product under 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. *Id.* Attachment B. The instant contract has been assigned Docket No. CP2014-31.

Request. To support its Request, the Postal Service filed six attachments: a redacted copy of the contract, a redacted copy of Governors' Decision No. 11-6, proposed changes to the Mail Classification Schedule, a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. 3633(a), and an application for non-public treatment of certain materials.

In the Statement of Supporting Justification, the Postal Service asserts that the contract will cover its attributable costs, make a positive contribution to covering institutional costs, and increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. *Id.* Attachment D at 1. It contends that there will be no issue of market dominant products subsidizing competitive products as a result of this contract. *Id.*

Related contract. The Postal Service included a redacted version of the related contract with the Request. *Id.* Attachment B. The contract will expire three years from the effective date unless, among other things, the customer terminates the agreement upon 30 days' written notice to the other party or the agreement is renewed by mutual written agreement. *Id.* at 3. The contract also allows two 90-day extensions of the agreement if the preparation of a successor agreement is active and the Commission is notified within at least seven days of the contract's expiration date. *Id.* The Postal Service represents that the contract is consistent with 39 U.S.C. 3633(a).²

² Although the Request appears to state that the certification only pertains to paragraphs (1) and (3) of 39 U.S.C. 3633(a), the certification itself contains an assertion that the prices are in compliance with 39 U.S.C. 3633(a)(1), (2), and (3). See Request at 2; Attachment E.

The Postal Service filed much of the supporting materials, including the related contract, under seal. *Id.* Attachment F. It maintains that the redacted portions of the Governors' Decision, contract, customer-identifying information, and related financial information, should remain confidential. *Id.* at 3. This information includes the price structure, underlying costs and assumptions, pricing formulas, information relevant to the customer's mailing profile, and cost coverage projections. *Id.* The Postal Service asks the Commission to protect customer-identifying information from public disclosure indefinitely. *Id.* at 7.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2014-18 and CP2014-31 to consider the Request pertaining to the proposed Priority Mail Contract 77 product and the related contract, respectively.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642, 39 CFR 3015.5, and 39 CFR part 3020, subpart B. Comments are due no later than March 6, 2014. The public portions of these filings can be accessed via the Commission's website (<http://www.prc.gov>).

The Commission appoints Lyudmila Y. Bzhilyanskaya to serve as Public Representative in these dockets.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket Nos. MC2014-18 and CP2014-31 to consider the matters raised in each docket.

2. Pursuant to 39 U.S.C. 505, Lyudmila Y. Bzhilyanskaya is appointed to serve as an officer of the Commission to represent the interests of the general public in these proceedings (Public Representative).
3. Comments by interested persons in these proceedings are due no later than March 6, 2014.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary